

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )

Federal-State Joint Board on )  
Universal Service )

) CC Docket No. 96-45

1998 Biennial Regulatory Review - )  
Streamlined Contributor Reporting )  
Requirements Associated with Administration )  
of Telecommunications Relay Service, North )  
American Numbering Plan, Local Number )  
Portability, and Universal Service Support )  
Mechanisms )

) CC Docket No. 98-171

Telecommunications Services for Individuals )  
with Hearing and Speech Disabilities, and the )  
Americans with Disabilities Act of 1990 )

) CC Docket No. 90-571

Administration of the North American )  
Numbering Plan and North American )  
Numbering Plan Cost Recovery Contribution )  
Factor and Fund Size )

) CC Docket No. 92-237

) NSD File No. L-00-72

Number Resource Optimization )

) CC Docket No. 99-200

Telephone Number Portability )

) CC Docket No. 95-116

Truth-in-Billing and Billing Format )

) CC Docket No. 98-170

REPLY COMMENTS OF THE  
AMERICAN LIBRARY ASSOCIATION

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## INTRODUCTION

The American Library Association (“ALA”) respectfully submits these reply comments in response to the Commission’s Further Notice of Proposed Rulemaking and Report and Order released in the above-referenced dockets on February 26, 2002<sup>1</sup> (the “FNPRM”). The ALA is a nonprofit educational organization of over 63,000 librarians, library educators, information specialists, library trustees, and friends of libraries representing public, school, academic, state, specialized libraries, and the communities they serve. The ALA is dedicated to the improvement of all aspects of library services. The ALA also provides leadership for the development, promotion, and improvement of library services and the profession of librarianship in order to enhance learning and ensure access to information for all.

The FNPRM proposes substantial changes to the universal service fund contribution assessment, which, if adopted, would replace the current contribution factor system with a per-connection fee. ALA’s members depend upon the funds made available by the E-Rate program in order to provide advanced telecommunications to their patrons. ALA submits these reply comments in order to stress the importance of ensuring that any changes made to the contribution mechanism do not disrupt or decrease the amount of the funding available to support the E-Rate. ALA asks the Commission to ensure, no matter which contribution system is used, that the funding available for the E-Rate discounts remains at least at current levels.

### **I. THE FCC SHOULD PREVENT ANY SHORTFALL IN THE UNIVERSAL SERVICE FUND.**

Several commenters in this proceeding discuss a potential shortfall of the universal service fund. For instance, AT&T states that the “decrease in wireline interstate revenues,

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<sup>1</sup> *In the Matter of Federal-State Joint Board on Universal Service*, Further Notice of Proposed Rule Making and Report and Order, CC Docket No. 96-45 (rel. Feb. 26, 2002).

coupled with increasing universal service funding requirements, will force the universal service system into a 'death spiral,' with ever-increasing contribution factors that consumers and providers will seek to avoid through new offerings."<sup>2</sup> The Allied Personal Communications Industry Association of California<sup>3</sup> suggests that the universal service fund could be faced with a shortfall if interstate revenues decline and USF contribution factors remain constant.<sup>4</sup>

Aside from the concerns raised by the telecommunications industry, Western Wireless Corporation notes that the Universal Service Administrative Company itself has stated that there is a significant risk of a shortfall.<sup>5</sup> Further, the Coalition for Sustainable Universal Service states that "the existing federal universal service fund is facing a crisis: its mechanism for collecting universal service support funds is ... economically unsustainable ...."<sup>6</sup>

ALA is concerned about these claims, and asks the Commission to make modifications necessary to address them, if indeed there is a possibility of a shortfall. ALA is encouraged that one of the FNPRM's stated goals in considering possible reforms of the current assessment system is to "ensure the stability and sufficiency of the universal service fund as the market continues to evolve."<sup>7</sup> Yet, ALA would like to remind the Commission that E-Rate recipients

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<sup>2</sup> AT&T Comments at 2.

<sup>3</sup> Allied Personal Communications Industry Association of California Comments at 11.

<sup>4</sup> *But see* National Association of State Utility Consumer Advocates Comments. NASUCA refutes the basis for this concern, arguing that wireline interstate revenues are not falling, and that the changes in the contribution mechanism are the result of increases in the size of the fund as a whole. NASUCA Comments at 8.

<sup>5</sup> Western Wireless Corp. Comments at 3, citing USAC Reply Comments in CC Docket 96-45, July 9, 2001, pg. 7.

<sup>6</sup> Coalition for Sustainable Universal Service Comments at v.

<sup>7</sup> FNPRM at ¶ 15.

make budget and other planning decisions in the good faith belief the funds committed to them will be available. ALA therefore strongly supports eliminating any risk of a funding shortfall.

In order to promote stability and protect against shortfalls, the FNPRM at ¶ 82 asks for comments on establishing a reserve fund if the Commission adopts a monthly reporting requirement that combines a contributor's monthly bill and reporting obligation. ALA supports such a reserve fund. Further, ALA notes that the Commission believes a per-connection fee may provide more predictable and sufficient funding, as the number and capacity of connections is historically more stable than interstate revenues. *Id.* at ¶ 71. ALA supports improving stability. Although we are concerned about the short-term stability of funds while the contribution mechanism is being overhauled, ALA supports such a shift if the Commission believes it will result in a predictable, stable universal service fund.

## **II. FREEZING THE UNIVERSAL SERVICE FUND SHOULD NOT BE CONSIDERED AN APPROPRIATE METHOD OF STABILIZING THE FUND.**

By way of addressing the potential shortfall of universal service funds, Nextel Communications suggests that "the Commission must consider new approaches, such as freezing the amount of the federal USF fund."<sup>8</sup> ALA strongly opposes such a solution. Currently, the universal service fund falls woefully short of fulfilling the demand for funds. In particular, the Schools and Libraries Division is unable to fund all E-Rate requests. This year's demand estimate is \$5.736 billion, but under the current cap of \$2.25 billion, less than half of the overall need will be met.<sup>9</sup> Furthermore, based on historical growth trends, it appears that the need for the benefits of the E-Rate is likely to continue to grow, as shown in the following table:

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<sup>8</sup> Nextel Communication Comments at ii.

<sup>9</sup> See FY5 Demand Estimate Letter to FCC from SLD, dated Feb. 28, 2002, available at <http://www.sl.universalservice.org/>.

<u>Funding Year</u>	<u>Total Demand Estimate</u>	<u>Number of Requests</u>
1	\$ 2.05 billion	30,000
2	\$ 2.435 billion	32,000
3	\$ 4.72 billion	36,000
4	\$ 5.787 billion	37,188
5	\$ 5.736 billion	36,043

The number of requests and the amount requested increased over the first four years that the E-Rate was available. It essentially held steady in Year 5 for unknown reasons, but there is every reason to believe that demand will continue to grow. The most likely reason for applications to level off or decline is simply that potential applicants may be dissuaded by the knowledge that funding is limited: at some point the odds of success or the amount of any potential annual discount no longer justify the effort of completing an application.<sup>10</sup>

The E-Rate program is providing valuable resources to schools and libraries across the nation. Available funds are known to be insufficient to meet the need. Because of this unmet need, ALA urges the Commission to reject any notion of freezing the amount of the universal service fund.

## CONCLUSION

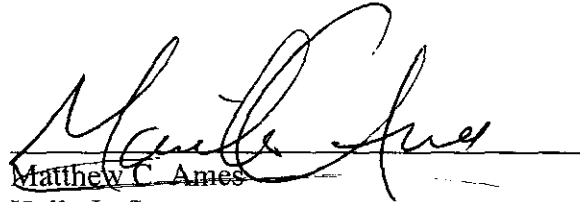
ALA supports the Commission's commitment to improving the universal service contribution mechanism, and urges the Commission to ensure that any changes to the mechanism

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<sup>10</sup> See *id.*; FY4 Demand Estimate Letter to FCC from SLD, dated Feb. 28, 2001, available at <http://www51.universalservice.org>; "4.72 Billion Requested for E-Rate in Year Three," dated Feb. 3, 2000, available at <http://www.51.universalservice.org/whatsnew/022000.asp>.

will provide adequate funding to support the E-Rate at levels sufficient to meet the established demand for eligible services.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Matthew C. Ames", is written over a horizontal line.

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